

TENNESSEE LOCAL DEVELOPMENT AUTHORITY
June 23, 2015

The Tennessee Local Development Authority (the "Authority" or "TLDA") met on Tuesday, June 23, 2015, at 11:00 a.m. in the Executive Conference Room, State Capitol, Nashville, Tennessee. The Honorable Tre Hargett, Secretary of State, was present and presided as Vice-Chair.

The following members were also present:

The Honorable Justin Wilson, Comptroller of the Treasury
The Honorable David Lillard, State Treasurer
Commissioner Larry Martin, Department of Finance and Administration
Mr. Pat Wolfe, Senate Appointee
Dr. Kenneth Moore, House Appointee

The following member was absent:

The Honorable Bill Haslam, Governor

Recognizing a physical quorum present, Mr. Hargett called the meeting to order.

Mr. Hargett recognized Ms. Alexa Voytek of the Office of Energy Programs (OEP) in the Tennessee Department of Environment and Conservation (TDEC) to provide an update on Qualified Energy Conservation Bond (QECB) projects. Ms. Voytek stated that the bonds for the City of Memphis' Self Tucker/Universal Light and Knowledge Quest projects, which had allocations of \$3.8 million and \$350,000 respectively, were issued on April 15, 2015. Ms. Voytek stated that Knox County's solar energy project, which has an allocation of \$12.5 million, was on the county commission's agenda for a final vote on June 22, 2015. If approved, the agreement is expected to be executed by June 30, 2015, and the bond issuance process is anticipated to begin around July 14, 2015. Ms. Voytek stated that the City of Lebanon had been granted a \$3.8 million sub-allocation for installation of a gasification unit, and the bond issuance for that project closed on April 24, 2015. Ms. Voytek stated that no responses had been received from the third round of Request for Proposals, but a few inquiries had been received from potential applicants. Ms. Voytek stated that the City of Clarksville is still working to finalize details for the bond issuance associated with the city's Large Local Jurisdiction (LLJ) allocation of \$1,241,344 to be used for a street lighting improvement project.

Recognizing that the approval of the minutes had been inadvertently overlooked, Mr. Hargett asked for a motion to approve the minutes of the April 15, 2015, meeting. Mr. Wilson made a motion to approve the minutes, and Mr. Lillard seconded the motion. The minutes were unanimously approved.

Mr. Hargett stated that the next item of business was presentation of the Clean Water and Drinking Water priority rankings lists. He recognized Mr. Sherwin Smith, Director of TDEC's State Revolving Fund (SRF) loan program to present the item. Mr. Smith distributed copies of both lists to each board member. Mr. Smith stated that TDEC was applying for Clean Water and Drinking Water allocations from the federal government in the amounts of \$20,397,000 and \$8,845,000 respectively, and the State would provide a twenty percent funding match for each program. Mr. Smith stated that, based on these expected capitalization grant amounts, the first tier funding zone (those projects eligible for a subsidy) would include the projects listed through project number 11 for Clean Water and through project number 6 for Drinking Water provided that all of the entities accept the funding; otherwise, TDEC would offer subsidized funding for the next project on the list until the available subsidy had been exhausted. He stated that anyone on the list could, however, apply for a low-interest loan without subsidy at any time, and TDEC would initiate the loan process with the applicant. Mr. Smith noted that the subsidy to be offered would be 15 percent principal forgiveness for Clean Water projects and 25 percent principal forgiveness for Drinking Water

projects. Mr. Hargett commented that several projects had the same number of priority points and asked how those projects were differentiated in their rankings. Mr. Smith replied that an engineer ranked the projects based on the amount of priority points received, and in the event of a tie, he believed that the engineer used professional judgment to rank based on necessity of the project. Mr. Wilson stated that the engineer should consider providing more details to further support the rankings and enhance transparency. Mr. Smith agreed to review the procedures used by the engineers, and noted that amongst those projects with the same priority points, the projects were further arranged by the Ability to Pay Index (ATPI). He stated that less affluent applicants (those with a lower ATPI) would have a higher ranking. He agreed that on the lists as presented it was not entirely clear why two projects with the same priority points and the same ATPI would receive different rankings, and stated that he would review the procedures used in these situations. Dr. Moore asked if population and the number of people affected were factors in the rankings. Mr. Smith responded that TDEC contracts with the University of Tennessee's Center for Business and Economic Research (UTCBER) to provide raw data on factors such as population trends, affluence, tax revenues, and unemployment. TDEC and UTCBER worked together to plot the data on a bell curve and created the ATPI. Mr. Wolfe asked about the different rankings for Carter County project versus the Unicoi County project. Mr. Smith responded that the Carter County project was a waterline replacement which related to public health; whereas, the Unicoi County project was meter replacement which created efficiency. Therefore, a project related to public health would more likely earn a higher ranking than a project that created efficiency. There was no further discussion.

Mr. Hargett stated that the next agenda item was the approval of Clean Water State Revolving Fund (SRF) loans. Mr. Hargett recognized Mr. Smith to present the Clean Water SRF loan requests. Mr. Smith stated that the unobligated fund balance was \$170,700,409 as of April 15, 2015. If all requests were approved as presented, the funds available for loan obligations would be \$168,830,409. He then described each loan request:

- McKenzie (CW1 2015-352)—Requesting \$1,833,160 (\$1,649,844 loan; \$183,316 principal forgiveness) for wastewater treatment plant improvements and infiltration/inflow (I/I) correction (city-wide); recommended interest rate of 0.43% based on the ATPI.
- McKenzie (SRF 2015-354)—Requesting \$36,840 for wastewater treatment plant improvements and I/I correction (city-wide); recommended interest rate of 0.43% based on the ATPI.

Mr. Smith explained that these were companion loans for the same project, and the reason they were being presented separately was that the first loan used up the remaining amount in the capitalization grant. However, this did not cover the total loan request, so the companion loan (without principal forgiveness) made up the difference. Mr. Wilson moved for approval of the Clean Water SRF loans, and Mr. Wolfe seconded the motion. The motion passed unanimously.

Mr. Hargett stated that the next item of business was consideration for approval of a Drinking Water SRF loan request. He asked Mr. Smith to present the request. Mr. Smith first presented the unobligated fund balance. He stated the balance was \$48,404,625 as of April 15, 2015. Upon approval of the loan request to be presented, the funds available for loan obligations would decrease to \$48,063,615. He then described the loan request:

- Crossville (DW1 2012-116)—Requesting a loan increase of \$341,010 (\$238,707 loan; \$102,303 principal forgiveness) for a total loan amount of \$2,231,010 (\$1,561,707 loan; \$669,303 principal forgiveness) for water distribution system improvements; recommended interest rate of 1.87% based on the ATPI.

Dr. Moore moved for approval of the Drinking Water SRF loan, and Mr. Lillard seconded the motion. The motion passed unanimously.

Mr. Hargett asked for further business. There was none. Mr. Wilson made a motion to adjourn, and Mr. Martin seconded the motion. The meeting was unanimously adjourned.

Approved on this 12th day of August, 2015.

Respectfully submitted,



Sandra Thompson
Assistant Secretary